

Brexit Continues to Reverberate Around the World

Things are looking up.

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July 5, 2016

It has been close to two weeks since the British people voted to leave the European Union, and the consequences of Brexit continue to reverberate in Europe and beyond. The libertarian camp, like Britain, was split between those, like myself, who favored Brexit, and those who opposed it. Many of my thoughtful friends and colleagues who wished for Britain to remain in the E.U. have pointed out that an independent Britain does not necessarily mean a free Britain. Very true. Should the British electorate choose the Corbynistas, a far-left wing of the Labour Party determined to re-nationalize the commanding heights of the economy, the cause of human freedom would suffer a serious blow. But my argument in favor of Brexit did not focus on the future of Britain, although there is ground for optimism there. It focused on the future of Europe, and my conviction that Brexit was necessary if European elites were to recognize the seriousness of Europe's political and social problems. With that background in mind, how are things shaping up?

First, let's look at Britain. The Labour Party is in utter disarray. Its leader, Jeremy Corbyn, is a leftist throwback to the 1970s. He used to oppose the E.U. before changing his mind, only to be blamed for having his Damascene conversion too late to prevent the outcome of the referendum. Corbyn is likely to face a leadership challenge from a more centrist candidate. He has refused to go and is relying on the grassroots, which are to the left of the Labour Party leadership, to stay in power. May that stand-off long continue. The Conservative Party leadership contest triggered by the resignation of the sitting prime minister, David Cameron, has seen some extraordinary reversals and machinations that make *House of Cards* look tame in comparison. That said, all remaining candidates to succeed Cameron have committed to accept the outcome of the referendum and withdraw from the E.U. by invoking Article 50 of the Lisbon Treaty. They also agreed not to call for a new election before 2020. That means that the separation agreement between the E.U. and Great Britain will be negotiated by the Tories over the next two years. The Tories will also be responsible for setting up the policy framework for an independent Britain.

What might that policy framework look like?

To start with, everyone is keeping an eye on the markets, which rose rather than collapsed. In fact, the London stock exchange ended last week higher than at any point over the last 13 months. The pound has dropped by 8 percent, which is bad news for the British travelers but great news for British exporters, who have been revising their future earnings predictions upwards. Far from shunning Britain, countries throughout the world have been lining up to conclude bilateral trade deals with the world's fifth largest economy. The United States has walked back Barack Obama's counterproductive threat to put Great Britain in the "back of the queue." Eleven countries, including Iceland, India, New Zealand, Australia, Ghana, Canada, Mexico, Switzerland, and South Korea, are already knocking on Britain's door. Such is the interest in trade deals with Britain that London worries about not having enough trade negotiators. That problem too shall be overcome, as New Zealand and Australia have offered to lend Britain their own trade negotiators.

To make matters even more promising, George Osborne, the Chancellor of the Exchequer, has announced that he is considering cutting Britain's corporate tax from 20 percent to 15 percent. That would make British corporate tax rate the second lowest in OECD countries and close to Ireland's 12.5 percent rate. A consensus seems to be emerging that Britain will be, at least initially, a low-tax and free-trade haven on the E.U.'s doorstep, a nightmare for Eurocrats if there ever were one.

And that brings us back to the European Union. Judging by the responses of different players on the continent, a fascinating split has already emerged between the E.U. bureaucracy on the one hand and national governments on the other. The former, best exemplified by Jean Claude Juncker, the president of the E.U. Commission, have reacted to the result of the British referendum with predictable hauteur and veiled threats. The national governments want none of that. In a true realpolitik fashion, they have to look out after their own interests. And so the Poles, who rely on Britain and America to keep Russia at bay, have called for a mutually beneficial separation agreement between the E.U. and Great Britain. They also called on Juncker to resign. It was Juncker's intransigence, they believe, which prevented Cameron from getting concessions from Brussels that would have helped him win the British referendum. The Poles have been joined by the Czechs and, what surely augurs poorly for the president of the E.U. Commission, the Germans.

As was predicted by the proponents of Brexit, the last thing Germany wants is an acrimonious divorce with Britain, which soaks up much of Germany's manufacturing production. Even the French are sounding reasonable, with the French finance minister saying that "freedom of movement may no longer be prerequisite for [British] access to [the European] single market."

Finally, the Germans appear to be coming around to a belated realization that Europe's problems cannot be solved by "more Europe." The europhiles, like Juncker and the E.U. Parliament President Martin Schultz, are becoming increasingly isolated in their drive for increased centralization of power in Brussels. Against them stands a majority of the European

heads of state, who are beginning to realize that reform of the E.U. institutions must be on the menu. Should Brussels lose some of its power and should some of the E.U. competences be repatriated back to the nation-states, then Brexit will have served its purpose.

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